



TOWNSHIP OF GANGES  
Allegan County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended June 30, 2005

## AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

<b>Local Government Type</b> <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		<b>Local Government Name</b> Township of Ganges	<b>County</b> Allegan
<b>Audit Date</b> June 30, 2005	<b>Opinion Date</b> August 16, 2005	<b>Date Accountant Report Submitted to State:</b> December 13, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

<b>Certified Public Accountant (Firm Name)</b> Campbell, Kusterer & Co., P.C.			
<b>Street Address</b> 512 N. Lincoln, Suite 100, P.O. Box 686	<b>City</b> Bay City	<b>State</b> MI	<b>Zip</b> 48707
<b>Accountant Signature</b> Campbell, Kusterer & Co., P.C.			

TOWNSHIP OF GANGES  
Allegan County, Michigan

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# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA  
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100  
P.O. BOX 686  
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040  
FAX (989) 894-5494

## INDEPENDENT AUDITOR'S REPORT

August 16, 2005

To the Township Board  
Township of Ganges  
Allegan County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Ganges, Allegan County, Michigan as of and for the year ended June 30, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Ganges's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Ganges, Allegan County, Michigan as of June 30, 2005, and the respective changes in financial position thereof, for the year ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF GANGES  
Allegan County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2005

This section of the Township of Ganges' annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended June 30, 2005. Please read it in conjunction with the financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at June 30, 2005, totaled \$1,822,723.26 for governmental activities. Of this total \$637,771.02 represents capital assets net of depreciation. Overall net assets increased by \$278,119.36 from the prior year.

Overall revenues were \$739,806.33.

We did not incur any new debt during the year and purchased \$107,409.36 in capital assets.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present government activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. These include the General and Special Revenue Funds which are the Roads Fund, Fire Fund, Building Fund, Ambulance Fund and the First Responder Fund.

TOWNSHIP OF GANGES  
Allegan County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2005

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental Funds: All of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. The Township's governmental funds include: General, Roads, Fire, Building, Ambulance and First Responder.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net Assets: The Township's combined net assets increased \$278,119.36 during the year ended June 30, 2005, totaling \$1,822,723.26.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

General Fund: This fund is used to record all activities of the Township not required to be recorded in a separate fund. This would include parks, zoning, legislative, administrative, elections, Township hall and cemeteries. The major source of revenue for the General Fund is from the Township tax base and the revenue sharing from the State of Michigan.

Roads Fund: This fund is used to record revenues and expenses for road construction and maintenance for streets located within the Township. The source of revenue comes from the road millage levied on property taxes.

Fire Fund: This fund is used to record revenues and expenses for maintaining and operating the Fire Department. The major source of revenue comes from the fire protection millage levied on property taxes and donations.

Ambulance Fund: This fund is used to record revenues and expenses for maintaining and operating the First Responder Unit and to provide ambulance service to the Township. The source of revenue comes from the ambulance service millage levied on property taxes.

First Responder Fund: This fund is used to record revenues and expenses for the First Responder Unit. The source of revenue comes from the Ambulance Fund for operating expenses and from donations.

Building Fund: This fund is used to record revenues and expenses to provide services for the building administration. The source of revenue comes from permit and inspection fees.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital Assets: Additions to Township capital assets for this year totaled \$107,409.36 and included Fire Department and First Responder equipment purchases consisting of blacktop parking lot at Station 1, ZICO portable water tank, Hose tester, 2005 Jeep grass/brush vehicle, 1999 brush truck pumper, 2005 Ford chassis for the rescue vehicle, 2 heaters at station 1, Lifepak 500 defibrillator unit and a new furnace at the Township Hall.

The Township does not have any long-term debt at this time.

TOWNSHIP OF GANGES  
Allegan County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended June 30, 2005

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

There are currently no plans for the future which will affect future operations.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact Cindy Yonkers, Township Clerk, or John Herbert, Township Supervisor, during regular business hours.

TOWNSHIP OF GANGES  
Allegan County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
June 30, 2005

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	1 159 171 24
Accounts receivable	<u>25 781 00</u>
Total Current Assets	<u>1 184 952 24</u>
NON-CURRENT ASSETS:	
Capital Assets	850 392 30
Less: Accumulated Depreciation	<u>(212 621 28)</u>
Total Non-current Assets	<u>637 771 02</u>
TOTAL ASSETS	<u>1 822 723 26</u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	<u>-</u>
Total Current Liabilities	<u>-</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	637 771 02
Unrestricted	<u>1 184 952 24</u>
Total Net Assets	<u>1 822 723 26</u>
TOTAL LIABILITIES AND NET ASSETS	<u>1 822 723 26</u>

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF GANGES  
Allegan County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended June 30, 2005

		Program Revenue		Governmental Activities
				Net (Expense)
	Expenses	Charges for Services	Capital Grants and Contributions	Revenue and Changes in Net Assets
<b>FUNCTIONS/PROGRAMS</b>				
Governmental Activities:				
Legislative	58 169 61	-	-	(58 169 61)
General government	117 424 75	9 270 00	-	(108 154 75)
Public safety	188 205 24	42 767 50	2 913 00	(142 524 74)
Public works	73 336 02	-	-	(73 336 02)
Culture and recreation	239 52	-	-	(239 52)
Other	24 311 83	-	-	(24 311 83)
Total Governmental Activities	<u>461 686 97</u>	<u>52 037 50</u>	<u>2 913 00</u>	<u>(406 736 47)</u>
General Revenues:				
Property taxes				480 145 85
State revenue sharing				170 021 00
Interest				23 353 47
Miscellaneous				<u>11 335 51</u>
Total General Revenues				<u>684 855 83</u>
Change in net assets				278 119 36
Net assets, beginning of year				<u>1 544 603 90</u>
Net Assets, End of Year				<u>1 822 723 26</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GANGES  
Allegan County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS  
June 30, 2005

	<u>General</u>	<u>Roads</u>	<u>Fire</u>	<u>First Responder</u>
<u>Assets</u>				
Cash in bank	367 972 25	422 096 07	217 012 86	6 765 07
Accounts receivable	25 781 00	-	-	-
Due from other funds	<u>824 70</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>394 577 95</u>	<u>422 096 07</u>	<u>217 012 86</u>	<u>6 765 07</u>
<u>Liabilities and Fund Equity</u>				
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	<u>394 577 95</u>	<u>422 096 07</u>	<u>217 012 86</u>	<u>6 765 07</u>
Total fund equity	<u>394 577 95</u>	<u>422 096 07</u>	<u>217 012 86</u>	<u>6 765 07</u>
Total Liabilities and Fund Equity	<u>394 577 95</u>	<u>422 096 07</u>	<u>217 012 86</u>	<u>6 765 07</u>

The accompanying notes are an integral part of these financial statements.

<u>Other Funds</u>	<u>Total</u>
144 500 29	1 158 346 54
-	25 781 00
-	824 70
<u>144 500 29</u>	<u>1 184 952 24</u>

-	-
-	-

<u>144 500 29</u>	<u>1 184 952 24</u>
<u>144 500 29</u>	<u>1 184 952 24</u>
<u>144 500 29</u>	<u>1 184 952 24</u>

TOWNSHIP OF GANGES  
Allegan County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
June 30, 2005

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS

1 184 952 24

Amounts reported for governmental activities in the statement of  
net assets are different because –

Capital assets used in governmental activities are not financial resources and  
therefore are not reported in the governmental funds balance sheet:

Capital assets at cost  
Accumulated depreciation

850 392 30  
(212 621 28)

TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES

1 822 723 26

TOWNSHIP OF GANGES  
Allegan County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
Year ended June 30, 2005

	<u>General</u>	<u>Roads</u>	<u>Fire</u>	<u>First Responder</u>
Revenues:				
Property taxes	70 289 66	234 220 97	117 096 76	-
Licenses and permits	4 500 00	-	-	-
Federal grant	-	-	2 913 00	-
State revenue sharing	170 021 00	-	-	-
Charges for services	4 770 00	-	-	-
Interest	11 089 07	5 840 64	4 182 76	268 75
Miscellaneous	9 687 96	102 92	1 206 61	312 35
Total revenues	<u>270 357 69</u>	<u>240 164 53</u>	<u>125 399 13</u>	<u>581 10</u>
Expenditures:				
Legislative:				
Township Board	58 169 61	-	-	-
General government:				
Supervisor	18 895 60	-	-	-
Elections	7 810 95	-	-	-
Assessor	23 700 00	-	-	-
Clerk	24 511 33	-	-	-
Board of Review	2 057 56	-	-	-
Treasurer	22 628 39	-	-	-
Building and grounds	2 950 24	-	-	-
Cemetery	12 630 28	-	-	-
Public safety:				
Ambulance	-	-	-	-
First Responder	-	-	-	27 193 87
Fire	-	-	49 081 60	-
Protective inspection	-	-	-	-
Planning and zoning	26 905 05	-	-	-
Public works:				
Highways and streets	321 59	70 721 33	-	-
Drains at large	1 459 07	-	-	-
Sanitation	834 03	-	-	-
Culture and recreation:				
Parks	199 52	-	-	-
Other:				
Insurance	17 473 52	-	-	-
Payroll taxes	6 838 31	-	-	-
Capital outlay	1 976 00	-	56 408 28	49 025 08
Total expenditures	<u>229 361 05</u>	<u>70 721 33</u>	<u>105 489 88</u>	<u>76 218 95</u>
Excess (deficiency) of revenues over expenditures	<u>40 996 64</u>	<u>169 443 20</u>	<u>19 909 25</u>	<u>(75 637 85)</u>
Other financing sources (uses):				
Operating transfers in	-	-	-	55 000 00
Operating transfers out	-	-	(10 000 00)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(10 000 00)</u>	<u>55 000 00</u>

The accompanying notes are an integral part of these financial statements.

<u>Other Funds</u>	<u>Total</u>
58 538 46	480 145 85
42 767 50	47 267 50
-	2 913 00
-	170 021 00
-	4 770 00
1 972 25	23 353 47
<u>25 67</u>	<u>11 335 51</u>
<u>103 303 88</u>	<u>739 806 33</u>
-	58 169 61
-	18 895 60
-	7 810 95
-	23 700 00
-	24 511 33
-	2 057 56
-	22 628 39
-	2 950 24
-	12 630 28
9 571 05	9 571 05
-	27 193 87
-	49 081 60
34 031 87	34 031 87
-	26 905 05
-	71 042 92
-	1 459 07
-	834 03
-	199 52
-	17 473 52
-	6 838 31
-	<u>107 409 36</u>
<u>43 602 92</u>	<u>525 394 13</u>
<u>59 700 96</u>	<u>214 412 20</u>
-	55 000 00
<u>(45 000 00)</u>	<u>(55 000 00)</u>
<u>(45 000 00)</u>	<u>-</u>

TOWNSHIP OF GANGES  
Allegan County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
Year ended June 30, 2005

	<u>General</u>	<u>Roads</u>	<u>Fire</u>	<u>First Responder</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	40 996 64	169 443 20	9 909 25	(20 637 85)
Fund balances, July 1	<u>353 581 31</u>	<u>252 652 87</u>	<u>207 103 61</u>	<u>27 402 92</u>
Fund Balances, June 30	<u><u>394 577 95</u></u>	<u><u>422 096 07</u></u>	<u><u>217 012 86</u></u>	<u><u>6 765 07</u></u>

The accompanying notes are an integral part of these financial statements.

<u>Other Funds</u>	<u>Total</u>
14 700 96	214 412 20
<u>129 799 33</u>	<u>970 540 04</u>
<u>144 500 29</u>	<u>1 184 952 24</u>



TOWNSHIP OF GANGES  
Allegan County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended June 30, 2005

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 214 412 20

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense  
Capital Outlay

(43 702 20)  
107 409 36

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

278 119 36

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GANGES  
Allegan County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Ganges, Allegan County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Ganges. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF GANGES  
Allegan County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Agency Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2004 tax roll millage rate was 3.9285 mills, and the taxable value was \$121,680,739.00.

TOWNSHIP OF GANGES  
Allegan County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Land improvements	25 years
Buildings and improvements	15-35 years
Equipment and vehicles	5-25 years

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.

TOWNSHIP OF GANGES  
Allegan County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

Note 2 – Budgets and Budgetary Accounting (continued)

6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>1 159 171 24</u>
Amounts in the bank balances are without considering deposits in transit or uncleared checks.	
	<u>Bank Balances</u>
Insured (FDIC)	200 000 00
Uninsured and Uncollateralized	<u>999 261 08</u>
Total Deposits	<u>1 199 261 08</u>

The Township of Ganges did not have any investments as of June 30, 2005.

TOWNSHIP OF GANGES  
Allegan County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

**Note 4 – Capital Assets**

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 7/1/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/05</u>
Land and improvements	1 500 00	5 750 00	-	7 250 00
Buildings and improvements	151 262 25	5 963 00	-	157 225 25
Equipment and vehicles	<u>590 220 69</u>	<u>95 696 36</u>	<u>-</u>	<u>685 917 05</u>
Total	742 982 94	107 409 36	-	850 392 30
Accumulated Depreciation	<u>(168 919 08)</u>	<u>(43 702 20)</u>	<u>-</u>	<u>(212 621 28)</u>
Net Capital Assets	<u><u>574 063 86</u></u>	<u><u>63 707 16</u></u>	<u><u>-</u></u>	<u><u>637 771 02</u></u>

**Note 5 – Pension Plan**

The Township does not have a pension plan.

**Note 6 – Deferred Compensation Plan**

The Township does not have a deferred compensation plan.

**Note 7 – Risk Management**

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**Note 8 – Interfund Receivables and Payables**

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>824 70</u>	Current Tax Collection	<u>824 70</u>

**Note 9 – Transfers In and Transfers Out**

For the fiscal year ended June 30, 2005, the Township made the following interfund transfers:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
First Responder	10 000 00	Fire	10 000 00
First Responder	<u>45 000 00</u>	Ambulance	<u>45 000 00</u>
Total	<u><u>55 000 00</u></u>	Total	<u><u>55 000 00</u></u>

TOWNSHIP OF GANGES  
Allegan County, Michigan

NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

Note 10 – Building Permits

As of June 30, 2005, the Township had building permit revenues of \$43,223.69 and building permit expenses of \$34,031.87.

Note 11 – Budget Variances

For the fiscal year ended June 30, 2005, Township expenditures exceeded budgeted amounts in one activity as follows:

	<u>Total Budget</u>	<u>Total Expenditures</u>	<u>Excess Expenditures</u>
First Responders Fund Activity:			
First Responder	26 970 00	27 193 87	223 87

TOWNSHIP OF GANGES  
Allegan County, Michigan

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
Year ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	70 235 00	70 235 00	70 289 66	54 66
Licenses and permits	5 000 00	5 000 00	4 500 00	(500 00)
State revenue sharing	190 000 00	190 000 00	170 021 00	(19 979 00)
Charges for services	3 000 00	3 000 00	4 770 00	1 770 00
Interest	1 500 00	1 500 00	11 089 07	9 589 07
Miscellaneous	35 00	35 00	9 687 96	9 652 96
Total revenues	<u>269 770 00</u>	<u>269 770 00</u>	<u>270 357 69</u>	<u>587 69</u>
Expenditures:				
Legislative:				
Township Board	32 000 00	70 230 00	58 169 61	(12 060 39)
General government:				
Supervisor	18 900 00	19 140 00	18 895 60	(244 40)
Elections	5 000 00	8 000 00	7 810 95	(189 05)
Assessor	22 500 00	24 000 00	23 700 00	(300 00)
Clerk	24 900 00	24 900 00	24 511 33	(388 67)
Board of Review	3 500 00	3 500 00	2 057 56	(1 442 44)
Treasurer	26 500 00	26 500 00	22 628 39	(3 871 61)
Building and grounds	5 000 00	3 000 00	2 950 24	(49 76)
Cemetery	14 000 00	15 030 00	12 630 28	(2 399 72)
Public safety:				
Planning and zoning	52 500 00	49 800 00	26 905 05	(22 894 95)
Public works:				
Highways and streets	600 00	600 00	321 59	(278 41)
Drains at large	5 000 00	5 000 00	1 459 07	(3 540 93)
Sanitation	2 000 00	2 000 00	834 03	(1 165 97)
Culture and recreation:				
Parks	3 000 00	3 000 00	199 52	(2 800 48)
Other:				
Insurance	25 000 00	25 000 00	17 473 52	(7 526 48)
Payroll taxes	15 000 00	15 000 00	6 838 31	(8 161 69)
Contingency	250 000 00	219 700 00	-	(219 700 00)
Capital outlay	11 000 00	2 000 00	1 976 00	(24 00)
Total expenditures	<u>516 400 00</u>	<u>516 400 00</u>	<u>229 361 05</u>	<u>(287 038 95)</u>
Excess (deficiency) of revenues over expenditures	(246 630 00)	(246 630 00)	40 996 64	287 626 64
Fund balance, July 1	<u>331 464 00</u>	<u>331 464 00</u>	<u>353 581 31</u>	<u>22 117 31</u>
Fund Balance, June 30	<u>84 834 00</u>	<u>84 834 00</u>	<u>394 577 95</u>	<u>309 743 95</u>



TOWNSHIP OF GANGES  
Allegan County, Michigan

BUDGETARY COMPARISON SCHEDULE – ROADS FUND  
Year ended June 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	233 030 00	233 030 00	234 220 97	1 190 97
Interest	2 000 00	2 000 00	5 840 64	3 840 64
Miscellaneous	<u>-</u>	<u>-</u>	<u>102 92</u>	<u>102 92</u>
Total revenues	<u>235 030 00</u>	<u>235 030 00</u>	<u>240 164 53</u>	<u>5 134 53</u>
Expenditures:				
Public works:				
Highways and streets	<u>450 000 00</u>	<u>450 000 00</u>	<u>70 721 33</u>	<u>(379 278 67)</u>
Total expenditures	<u>450 000 00</u>	<u>450 000 00</u>	<u>70 721 33</u>	<u>(379 278 67)</u>
Excess (deficiency) of revenues over expenditures	(214 970 00)	(214 970 00)	169 443 20	384 413 20
Fund balance, July 1	<u>252 642 00</u>	<u>252 642 00</u>	<u>252 652 87</u>	<u>10 87</u>
Fund Balance, June 30	<u><u>37 672 00</u></u>	<u><u>37 672 00</u></u>	<u><u>422 096 07</u></u>	<u><u>384 424 07</u></u>

TOWNSHIP OF GANGES  
Allegan County, Michigan

BUDGETARY COMPARISON SCHEDULE – FIRE FUND  
Year ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	116 509 00	116 509 00	117 096 76	587 76
Federal grant	-	-	2 913 00	2 913 00
Interest	1 000 00	1 000 00	4 182 76	3 182 76
Miscellaneous	-	-	1 206 61	1 206 61
Total revenues	<u>117 509 00</u>	<u>117 509 00</u>	<u>125 399 13</u>	<u>7 890 13</u>
Expenditures:				
Public safety:				
Fire	47 500 00	49 100 00	49 081 60	(18 40)
Capital outlay	<u>85 000 00</u>	<u>83 400 00</u>	<u>56 408 28</u>	<u>(26 991 72)</u>
Total expenditures	<u>132 500 00</u>	<u>132 500 00</u>	<u>105 489 88</u>	<u>(27 010 12)</u>
Excess (deficiency) of revenues over expenditures	<u>(14 991 00)</u>	<u>(14 991 00)</u>	<u>19 909 25</u>	<u>34 900 25</u>
Other financing sources (uses):				
Operating transfers out	-	-	(10 000 00)	(10 000 00)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(10 000 00)</u>	<u>(10 000 00)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(14 991 00)</u>	<u>(14 991 00)</u>	<u>9 909 25</u>	<u>24 900 25</u>
Fund balance, July 1	<u>206 830 00</u>	<u>206 830 00</u>	<u>207 103 61</u>	<u>273 61</u>
Fund Balance, June 30	<u>191 839 00</u>	<u>191 839 00</u>	<u>217 012 86</u>	<u>25 173 86</u>

TOWNSHIP OF GANGES  
Allegan County, Michigan

BUDGETARY COMPARISON SCHEDULE – FIRST RESPONDER FUND  
Year ended June 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Interest	100 00	100 00	268 75	168 75
Miscellaneous	<u>15 000 00</u>	<u>15 000 00</u>	<u>312 35</u>	<u>(14 687 65)</u>
Total revenues	<u>15 100 00</u>	<u>15 100 00</u>	<u>581 10</u>	<u>(14 518 90)</u>
Expenditures:				
Public safety:				
First Responder	31 250 00	26 970 00	27 193 87	223 87
Capital outlay	<u>45 000 00</u>	<u>49 280 00</u>	<u>49 025 08</u>	<u>(254 92)</u>
Total expenditures	<u>76 250 00</u>	<u>76 250 00</u>	<u>76 218 95</u>	<u>31 05</u>
Excess (deficiency) of revenues over expenditures	<u>(61 150 00)</u>	<u>(61 150 00)</u>	<u>(75 637 85)</u>	<u>(14 487 85)</u>
Other financing sources (uses):				
Operating transfers in	<u>45 000 00</u>	<u>45 000 00</u>	<u>55 000 00</u>	<u>10 000 00</u>
Total other financing sources (uses)	<u>45 000 00</u>	<u>45 000 00</u>	<u>55 000 00</u>	<u>10 000 00</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(16 150 00)</u>	<u>(16 150 00)</u>	<u>(20 637 85)</u>	<u>(4 487 85)</u>
Fund balance, July 1	<u>27 393 00</u>	<u>27 393 00</u>	<u>27 402 92</u>	<u>9 92</u>
Fund Balance, June 30	<u><u>11 243 00</u></u>	<u><u>11 243 00</u></u>	<u><u>6 765 07</u></u>	<u><u>(4 477 93)</u></u>

TOWNSHIP OF GANGES  
Allegan County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended June 30, 2005

Township Board:	9 710 00
Salaries	2 274 46
Supplies	4 266 64
Professional services	3 200 00
Audit	34 311 29
Legal	36 75
Transportation	1 627 55
Printing and publishing	2 742 92
Miscellaneous	<u>58 169 61</u>
Supervisor:	14 500 00
Salary	157 30
Deputy	826 35
Supplies	108 15
Communication	603 80
Transportation	2 700 00
Rent	<u>18 895 60</u>
Elections:	3 370 50
Salaries	2 310 17
Professional services	208 75
Printing and publishing	415 93
Travel	697 86
Supplies	807 74
Miscellaneous	<u>7 810 95</u>
Assessor:	23 700 00
Contracted services	
Clerk:	20 500 00
Salary	400 00
Deputy	604 86
Supplies	21 46
Communication	285 01
Transportation	2 700 00
Rent	<u>24 511 33</u>
Board of Review:	1 282 50
Salaries	775 06
Miscellaneous	<u>2 057 56</u>
Treasurer:	17 000 00
Salary	1 000 00
Deputy	2 249 23
Supplies	295 13
Transportation	1 800 00
Rent	284 03
Miscellaneous	<u>22 628 39</u>
Building and grounds:	195 44
Supplies	460 00
Contracted services	2 294 80
Utilities	<u>2 950 24</u>

TOWNSHIP OF GANGES  
Allegan County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended June 30, 2005

Cemetery:	4 600 00
Salary	561 57
Supplies	3 840 00
Grave openings	2 228 71
Professional services	1 400 00
Equipment rental	<u>12 630 28</u>
Planning and zoning:	
Planning Commission:	19 995 00
Salaries	236 38
Supplies	2 650 00
Contracted services	2 013 51
Printing and publishing	566 16
Miscellaneous	1 444 00
Education	<u>26 905 05</u>
Highways and streets	<u>321 59</u>
Drains at large	<u>1 459 07</u>
Sanitation	<u>834 03</u>
Parks:	
Miscellaneous	<u>199 52</u>
Insurance	<u>17 473 52</u>
Payroll taxes	<u>6 838 31</u>
Capital outlay	<u>1 976 00</u>
Total Expenditures	<u><u>229 361 05</u></u>

TOWNSHIP OF GANGES  
Allegan County, Michigan

COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS  
June 30, 2005

	<u>Roads</u>	<u>Ambulance</u>	<u>Fire</u>	<u>First Responder</u>
<u>Assets</u>				
Cash in bank	<u>422 096 07</u>	<u>97 179 30</u>	<u>217 012 86</u>	<u>6 765 07</u>
Total Assets	<u>422 096 07</u>	<u>97 179 30</u>	<u>217 012 86</u>	<u>6 765 07</u>
<u>Liabilities and Fund Balances</u>				
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Unreserved:				
Undesignated	<u>422 096 07</u>	<u>97 179 30</u>	<u>217 012 86</u>	<u>6 765 07</u>
Total Liabilities and Fund Balances	<u>422 096 07</u>	<u>97 179 30</u>	<u>217 012 86</u>	<u>6 765 07</u>

<u>Building</u>	<u>Total</u>
<u>47 320 99</u>	<u>790 374 29</u>
<u>47 320 99</u>	<u>790 374 29</u>
<u>-</u>	<u>-</u>
<u>47 320 99</u>	<u>790 374 29</u>
<u>47 320 99</u>	<u>790 374 29</u>

TOWNSHIP OF GANGES  
Allegan County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - ALL SPECIAL REVENUE FUNDS  
Year ended June 30, 2005

	<u>Roads</u>	<u>Ambulance</u>	<u>Fire</u>	<u>First Responder</u>
Revenues:				
Property taxes	234 220 97	58 538 46	117 096 76	-
Licenses and permits	-	-	-	-
Federal grant	-	-	2 913 00	-
Interest	5 840 64	1 516 06	4 182 76	268 75
Miscellaneous	<u>102 92</u>	<u>25 67</u>	<u>1 206 61</u>	<u>312 35</u>
Total revenues	<u>240 164 53</u>	<u>60 080 19</u>	<u>125 399 13</u>	<u>581 10</u>
Expenditures:				
Public safety:				
Ambulance:				
Contracted services	-	9 571 05	-	-
First Responder:				
Wages	-	-	-	19 045 00
Payroll taxes	-	-	-	1 456 98
Supplies	-	-	-	2 870 59
Utilities	-	-	-	1 148 41
Miscellaneous	-	-	-	1 126 31
Education	-	-	-	1 546 58
Fire:				
Wages	-	-	26 463 50	-
Payroll taxes	-	-	2 048 95	-
Supplies	-	-	6 723 92	-
Contracted services	-	-	1 965 26	-
Travel	-	-	650 20	-
Utilities	-	-	6 081 08	-
Repairs and maintenance	-	-	5 148 69	-
Protective inspection:				
Wages	-	-	-	-
Payroll taxes	-	-	-	-
Contracted services	-	-	-	-
Supplies	-	-	-	-
Telephone	-	-	-	-
Rent	-	-	-	-
Miscellaneous	-	-	-	-
Public works:				
Roads:				
Contracted services	70 721 33	-	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>56 408 28</u>	<u>49 025 08</u>
Total expenditures	<u>70 721 33</u>	<u>9 571 05</u>	<u>105 489 88</u>	<u>76 218 95</u>
Excess (deficiency) of revenues over expenditures	<u>169 443 20</u>	<u>50 509 14</u>	<u>19 909 25</u>	<u>(75 637 85)</u>
Other financing sources (uses):				
Operating transfers in	-	-	-	55 000 00
Operating transfers out	<u>-</u>	<u>(45 000 00)</u>	<u>(10 000 00)</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>(45 000 00)</u>	<u>(10 000 00)</u>	<u>55 000 00</u>



<u>Building</u>	<u>Total</u>
-	409 856 19
42 767 50	42 767 50
-	2 913 00
456 19	12 264 40
-	1 647 55
<u>43 223 69</u>	<u>469 448 64</u>
-	9 571 05
-	19 045 00
-	1 456 98
-	2 870 59
-	1 148 41
-	1 126 31
-	1 546 58
-	26 463 50
-	2 048 95
-	6 723 92
-	1 965 26
-	650 20
-	6 081 08
-	5 148 69
10 932 00	10 932 00
836 30	836 30
18 128 00	18 128 00
582 90	582 90
227 35	227 35
2 700 00	2 700 00
625 32	625 32
-	70 721 33
-	105 433 36
<u>34 031 87</u>	<u>296 033 08</u>
<u>9 191 82</u>	<u>173 415 56</u>
-	55 000 00
-	(55 000 00)
-	-

TOWNSHIP OF GANGES  
Allegan County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - ALL SPECIAL REVENUE FUNDS  
Year ended June 30, 2005

	<u>Roads</u>	<u>Ambulance</u>	<u>Fire</u>	<u>First Responder</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	169 443 20	5 509 14	9 909 25	(20 637 85)
Fund balances, July 1	<u>252 652 87</u>	<u>91 670 16</u>	<u>207 103 61</u>	<u>27 402 92</u>
Fund Balances, June 30	<u><u>422 096 07</u></u>	<u><u>97 179 30</u></u>	<u><u>217 012 86</u></u>	<u><u>6 765 07</u></u>

<u>Building</u>	<u>Total</u>
9 191 82	173 415 56
<u>38 129 17</u>	<u>616 958 73</u>
<u>47 320 99</u>	<u>790 374 29</u>

TOWNSHIP OF GANGES  
Allegan County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year ended June 30, 2005

	<u>Balance 7/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/05</u>
<u>Assets</u>				
Cash in Bank	<u>1 27</u>	<u>3 864 544 93</u>	<u>3 863 721 50</u>	<u>824 70</u>
<u>Liabilities</u>				
Due to other funds	1 27	493 417 05	492 593 62	824 70
Due to others	<u>-</u>	<u>3 371 127 88</u>	<u>3 371 127 88</u>	<u>-</u>
Total Liabilities	<u>1 27</u>	<u>3 864 544 93</u>	<u>3 863 721 50</u>	<u>824 70</u>

# **CAMPBELL, KUSTERER & CO., P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

MARK J. CAMPBELL, CPA  
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100  
P.O. BOX 686  
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040  
FAX (989) 894-5494

## **AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS**

August 16, 2005

To the Township Board  
Township of Ganges  
Allegan County, Michigan

We have audited the financial statements of the Township of Ganges for the year ended June 30, 2005. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Township of Ganges in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board  
Township of Ganges  
Allegan County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated June 30, 2005.

### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants